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ARIZONA CORPORATION COMMISSION

January 5, 2004

The Honorable Phil Gordon
Mayor, The City of Phoenix
200 West Washington Street
Phoenix, Arizona 85003-1611

Re: Valley Metro Rail Project (Docket No. C-00000A-03-0861)

Dear Mayor Gordon:

In late 2003, the Commission opened a generic docket to gather information on the costs that utilities (i.e., electric, natural gas and telecommunications companies) will incur to relocate or augment their underground facilities along the proposed route of the Valley Metro Rail Project. Some of the affected utilities have forewarned me about the considerable costs they will have to incur because of the light rail project.

In light of this possibility, as a state regulator, I am concerned that the ratepayers of these affected utilities will ultimately bear financial burden of the construction costs. At some point in the near future, the affected utilities will request the Commission's approval of the inclusion of all or some of these expenses in their rate bases.

Although the exact scope of the light rail project has yet to be finalized, I am writing to request information regarding which utilities will be affected by the light rail project and the extent to which the City of Phoenix plans to reimburse the utilities for these anticipated construction costs.

Thank you for your cooperation on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Hatch-Miller".

Jeff Hatch-Miller

cc: Chairman Marc Spitzer
Commissioner Bull Mundell
Commissioner Mike Gleason
Commissioner Kristin Mayes
Frank Fairbanks, City Manager, The City of Phoenix